

CLOSE-OUT PROCEDURES

HOPE VI REVITALIZATION GRANTS

June 12, 2006

Introduction

Once all activities funded with HOPE VI funds for a HOPE VI grant have been completed, HOPE VI Grantees must initiate the HOPE VI Revitalization Grant Close-Out Procedures. The following outlines the steps to be followed to officially close a HOPE VI grant. Closed means that: 1) no additional HOPE VI funds may be disbursed; 2) HUD has determined that the expenditure of grant funds was made for allowable activities; 3) activities undertaken with HOPE VI funds were completed as required by the HOPE VI Revitalization Grant Agreement; and 4) all Federal requirements were satisfied.

STEP 1: Termination of Disbursements Letter and Documentation

To begin the close-out process, within 90 calendar days after completion of all HOPE VI funded program activities, the Grantee must send a "Termination of Disbursements Letter" and "Preliminary Close Out Materials" to HUD's Office of Public Housing Investments (OPHI). The letter should be addressed to the Deputy Assistant Secretary, but delivered, along with the materials, to the appropriate HOPE VI Grant Manager. At OPHI's option, the Grantee may delay initiation of the close-out procedures until the resolution of any HUD monitoring findings. If OPHI exercises this option, the Grantee must promptly resolve the findings.

A. Termination of Disbursements Letter (see Attachment 1)

The Grantee must submit a Termination of Disbursements letter, which states that:

1. The Grantee has completed all activities to be performed using HOPE VI Revitalization grant funds;
2. All requirements of the Grant Agreement have been met;
3. All obligated HOPE VI grant funds have been disbursed;
4. The Grantee will abide by any continuing Federal requirements; and
5. The Grantee will complete non-HOPE VI funded activities associated with the revitalization effort and will continue to report in the HOPE VI Quarterly Report until all revitalization activities have been completed.

B. Preliminary Close-Out Materials

The Grantee must submit the following Preliminary Close-Out Materials along with the Termination of Disbursements Letter:

1. Final Budget

The Grantee must submit a HOPE VI Budget (Form HUD-52825-A), executed by the Grantee's Executive Director, which shows all final expenditures for the HOPE VI grant by Budget Line Item (BLI). The budget should be marked "FINAL."

2. Financial Status Report (see Attachment 2)

The Grantee must submit a final Financial Status Report (Form SF-269-A) that contains a cumulative summary of all expenditures and indicates the exact balance of unexpended funds, if any. Note that the expenditure of grant funds must be in compliance with OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments.

3. Actual HOPE VI Cost Certificate (see Attachment 3)

The Grantee must submit an Actual HOPE VI Cost Certificate (AHCC) (Form HUD-53001-A.) This form summarizes the information on the Financial Status Report and serves as the document that officially closes the grant. The AHCC must be signed by the Grantee's Executive Director on the line indicated.

4. Community and Supportive Services (CSS) Close-Out Report (see Attachment 4)

The Grantee must submit a CSS Close-Out Report. This report addresses the following CSS items: A) Final CSS Financial Report/Budget; B) Financial Matters at time of Close-Out; C) CSS Goals/Outcomes; D) Demographics of current population; E) Sustainability Strategy; F) HOPE VI Evaluation.

Step 2: OPHI Review of Preliminary Close-Out Materials

Upon receipt of the required Termination of Disbursements Letter and Preliminary Closeout Materials from the Grantee, OPHI will review the materials to assure compliance with the HOPE VI Grant Agreement. The Grantee will be expected to cooperate with this review by making available any records requested by OPHI. OPHI shall review the materials to confirm that:

- A. The amounts on the final HOPE VI Budget and the AHCC agree as to funds approved, obligated, and expended. If necessary, adjustments will be made in LOCCS to reflect actual expenditures.
- B. The amount of funds approved and disbursed on the AHCC agrees with HUD records in LOCCS.
- C. If Line 1.E. of the AHCC indicates that HUD has disbursed more funds than the Grantee expended, that the Grantee will immediately remit to HUD the excess funds, without waiting for the final audit. If the amount to be returned is \$2,000 or less, the Grantee must prepare a check payable to HUD, note the Grant Number on the check, and mail the check to OPHI, to the attention of the appropriate HOPE VI Grant Manager. If the amount is over \$2,000, the Grantee must wire transfer the funds to HUD in accordance with instruction set forth in the Financial Management Handbook 7485.1, as revised. Prior to wiring, the Grantee should consult further with the appropriate HOPE VI Grant Manager for more specific instructions.

Step 3: Preliminary Approval of Closeout

When OPHI has determined that the amount of HOPE VI funds disbursed, obligated and expended are equal in LOCCS, OPHI shall:

- A. approve the AHCC for final audit by having the OPHI Deputy Assistant Secretary sign the top line under the “For HUD Use Only” section of the AHCC.
- B. approve the final HOPE VI Budget by signing the HUD-52825-A.
- C. enter a Pre-Audit Date into LOCCS, which shall be date on which OPHI first signed the AHCC and approved it for audit. This action will prevent any further disbursements from LOCCS.
- D. send a letter to the Grantee transmitting copies of the preliminarily approved AHCC and the final HOPE VI Budget and indicating that the Grant has been preliminarily closed and instructing the Grantee to proceed with the final audit. (see Attachment 5.)

Step 4: Final Audit

Each Grantee is required to conduct an audit of the HOPE VI grant in accordance with the requirements of 24 CFR 85.26. The audit must be made by an independent auditor in accordance with generally accepted government auditing standards covering financial audits. The audit may be conducted separately or as part of an agency-wide audit. However, if conducted as part of an agency-wide audit, the HOPE VI portion of the audit must be reported separately. When contracting for an auditor, the Grantee should require that statements of actual HOPE VI costs, certified by the Grantee and submitted to HUD during the audit period, be

included in the audit's scope and attached as supplemental information to the audit report. The Grantee must ensure that the auditor has the AHCC for review. Unless the auditor states otherwise in the audit report, the Grantee certified costs will be considered acceptable by HUD.

The Grantee must submit a copy of the audit and the original AHCC previously signed by OPHI to the Director of Public Housing at the appropriate HUD Field Office. The HUD Field Office will review the audit report to determine if any findings have been identified with respect to the HOPE VI funds. The Field Office will notify OPHI of any identified findings. OPHI and the HUD Field Office will work with the Grantee to close the finding(s). If the audited AHCC indicates that HOPE VI funds were expended for ineligible activities or in inappropriate amounts, the Grantee may be required to return such funds to HUD in the manner prescribed in Step 2, Paragraph C, above.

Once the HUD Field Office has completed its review and any audit findings have been resolved, the HUD Field Office will sign the AHCC on line 2 under "For HUD Use Only" to certify that the audited costs agree with the costs shown on the AHCC. The original AHCC, along with a copy of the audit, should then be sent by the HUD Field Office to the appropriate OPHI HOPE VI Grant Manager.

Step 5: Final Closeout

When OPHI has received the final audit and AHCC, and has determined that: 1) the expenditure of grant funds was allowable; 2) the activities to be completed using HOPE VI grant funds were completed as required by the Grant Agreement; and 3) all Federal requirements were satisfied, the OPHI Deputy Assistant Secretary will sign the last line of the AHCC under "For HUD Use Only" to indicate final approval of the AHCC.

OPHI will send a copy of the AHCC to HUD's Office of Finance and Accounting (OFA). OFA will attach the AHCC to its copy of the Grant Agreement. The AHCC will amend the Grant Agreement should the amount of HOPE VI funds actually expended on the project be less than the original amount of the HOPE VI Revitalization grant. Any funds remaining in the grant will be recaptured by HUD. Recaptured funds will automatically be reflected in BLI 9900, Post Audit Adjustment, once the grant is closed. OFA will enter a Post-Audit Date in LOCCS. The grant will then be officially closed.

OPHI will send a letter to the Grantee (see Attachment 6) indicating that the grant is closed. The original AHCC and copies will be distributed as follows:

- A) The original to the Grantee for its files.
- B) One copy for the OPHI Grant Manager.
- C) One copy to the HUD Field Office.

For further information on closing out a HOPE VI grant, contact the appropriate HOPE VI Grant Manager.